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2002HANOI02297 - UNCLASSIFIED

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ACTION EAP-00

INFO	LOG-00	AID-00	CEA-01	CIAE-00	CTME-00	DODE-00	ITCE-00
	DOPE-00	SRPP-00	EB-00	EXME-00	E-00	FAAE-00	FBIE-00
	UTED-00	VC-00	FRB-00	H-01	TEDE-00	INR-00	ITC-01
	L-00	VCE-00	AC-01	NSAE-00	NSCE-00	OES-01	OMB-01
	OPIC-01	PER-00	ACE-00	SP-00	SSO-00	SS-00	STR-00
	TEST-00	TRSE-00	USIE-00	EPAE-00	ECA-00	DRL-02	G-00
	NFAT-00	SAS-00	/009W				

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FM AMEMBASSY HANOI  
TO SECSTATE WASHDC PRIORITY 7604  
INFO AMCONSUL HO CHI MINH CITY  
AMEMBASSY PHNOM PENH  
USCINCPAC HONOLULU HI//FPA//  
USDOC WASHDC

UNCLAS SECTION 01 OF 02 HANOI 002297

SIPDIS

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E.O. 12958: N/A  
TAGS: [ETRD](#) [ECON](#) [VM](#)  
SUBJECT: PHU QUOC ISLAND - BULLISH ON DEVELOPMENT BUT. . .

REF: A. HANOI 2200 B. HANOI 2232

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1. (U) SUMMARY. PHU QUOC ISLAND DISTRICT OFFICIALS ARE OPTIMISTIC ABOUT DEVELOPMENT BEYOND AGRICULTURE AND FISHING, ITS TRADITIONAL ECONOMIC MAINSTAYS. THEY HOPE THAT ITS TROPICAL ISLAND SETTING AND IMPROVING (THOUGH STILL WEAK) INFRASTRUCTURE WILL ENCOURAGE DEVELOPMENT, ATTRACT FOREIGN INVESTMENT, AND BRING IN MORE DOMESTIC AND FOREIGN TOURISTS. THE POTENTIAL FOR TOURISM IS REAL BUT WILL PROBABLY NEED VASTLY MORE RESOURCES THAN NOW AVAILABLE. END SUMMARY.

2. (U) POLOFF AND POL FSN VISITED PHU QUOC ISLAND ON SEPTEMBER 4. (REFTELS REPORTED ON COUNTERTERRORISM DISCUSSIONS AND NARCOTICS ISSUES, RESPECTIVELY). THE ISLAND IS LOCATED OFF THE SOUTHWEST COAST OF VIETNAM, 40 KILOMETERS WEST OF THE VIETNAMESE MAINLAND AND ABOUT 15 KILOMETERS SOUTH OF CAMBODIA. IT IS ADMINISTERED AS A DISTRICT OF KIEN GIANG PROVINCE. THERE ARE GOOD BEACHES AROUND MOST OF THE ISLAND, ESPECIALLY ON THE WEST AND SOUTHEAST SIDES. UNLIKE THE DELTA MAINLAND, MUCH OF THE ISLAND IS HILLY AND HEAVILY FORESTED.

3. (U) ACCORDING TO NGO RANG DONG, VICE CHAIRMAN OF THE DISTRICT PEOPLE'S COMMITTEE, THE ISLAND CONSISTS OF ABOUT 600 SQUARE KILOMETERS AND HAS A POPULATION OF ABOUT 80,000, 97 PERCENT OF WHOM ARE ETHNIC KINH. THE MAIN TOWN, DUONG DONG, IS LOCATED ON THE WEST SIDE OF THE ISLAND, WITH A POPULATION OF ABOUT 30,000. DONG NOTED THAT AGRICULTURE "IS MORE DIFFICULT THAN ON THE MAINLAND" DUE TO THE POOR QUALITY OF SOIL AND THE LACK OF FLAT LAND. FISHING HAS TRADITIONALLY BEEN MORE IMPORTANT; PHU QUOC IS ALSO FAMOUS IN VIETNAM FOR ITS HIGH QUALITY FISH SAUCE AS WELL AS BLACK

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PEPPERS.

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GETTING THERE IS HALF THE FUN  
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4. (U) THE ISLAND IS REACHED EITHER VIA FLIGHTS FROM HO CHI MINH CITY (ONE HOUR) OR THE PROVINCIAL CAPITAL OF RACH GIA (ABOUT 25 MINUTES), OR VIA A DAILY FERRY FROM RACH GIA (ABOUT SEVEN HOURS). ONE FOREIGN TOURIST DESCRIBED THE FERRY TRIP SIMPLY AS "HELLISH" BUT CHEAP AT USD FOUR. DONG CLAIMED THAT THE PROVINCE IS NOW IMPLEMENTING A PLAN FOR A HIGH-SPEED FERRY THAT WILL REDUCE TRAVEL TIME IN HALF, BUT WAS UNABLE TO SAY WHEN THE NEW FERRY SERVICE MIGHT ACTUALLY BEGIN. ONCE ON LAND, THE ROAD SYSTEM IS QUITE BASIC; ONLY ABOUT 27 KILOMETERS OF THE 60 KILOMETERS OF ROAD ARE PAVED, DONG ADMITTED. HE NONETHELESS ASSURED POLOFFS

THAT "IF YOU COME BACK IN FIVE YEARS, IT WILL LOOK COMPLETELY DIFFERENT."

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COUNTING ON TOURISM  
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15. (U) TRAN QUOC KHANH, CHIEF OF THE DISTRICT INDUSTRIAL AND TRADE AFFAIRS OFFICE, NOTED THAT TOURISM IS GROWING STEADILY. WHILE HE WAS UNABLE TO PROVIDE PRECISE FIGURES, KHANH ESTIMATED THAT TOURISM IS GROWING AT "FIVE TO 10 PERCENT" PER YEAR. HE CITED THE ISSUANCE OF GOVERNMENT DECREE 97 IN AUGUST 2000 AS A KEY MILESTONE, CREATING IN DUONG DONG TOWN AND THE SURROUNDING AREA AN "OPEN ECONOMIC UNCLASSIFIED

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ZONE." (NOTE: KIEN GIANG PROVINCIAL PEOPLE'S COMMITTEE OFFICIALS TOLD AMBASSADOR IN JULY 2002 THAT THE PROVINCE WAS STILL AWAITING CENTRAL GOVERNMENT APPROVAL FOR PARTS OF THE PROJECT, WHICH THEY NOTED WOULD EVENTUALLY ALSO INCLUDE A RESIDENTIAL AREA, "CLEAN" COMMERCIAL ACTIVITIES SUCH AS INSURANCE AND BANKING, AN AIRPORT, AND A DEEP-WATER PORT. END NOTE) SINCE THEN, THE NUMBER OF HOTELS HAS INCREASED FROM FOUR TO NINE (THERE ARE NOW ABOUT 200 HOTEL ROOMS ON THE ISLAND); NUMEROUS NEW RESTAURANTS HAVE ALSO OPENED. KHANH PREDICTED THAT WITHIN THE NEXT FIVE YEARS "AT LEAST" FIVE MORE HOTELS WILL BE BUILT.

16. (U) TOURISTS ARE NOW ABOUT EVENLY SPLIT BETWEEN FOREIGN AND DOMESTIC, DEPENDING ON THE SEASON, ACCORDING TO KHANH. DURING SUMMER AND FALL, THERE ARE RELATIVELY MORE VIETNAMESE TOURISTS, MOST COMING IN ORGANIZED GROUPS OR THROUGH SPONSORING ORGANIZATIONS (WORK UNITS, WOMEN'S ASSOCIATIONS, ETC.). FOREIGN TOURISTS TEND TO ARRIVE DURING THE WINTER MONTHS. THE ASSISTANT MANAGER OF PHU QUOC'S SOLE THREE STAR HOTEL SEPARATELY CLAIMED TO HAVE HAD "ABOUT 80 PERCENT OCCUPANCY" OVER THE PAST THREE MONTHS, WITH INCREASING NUMBERS OF ORGANIZED JAPANESE GROUPS, AS WELL AS FRENCH AND GERMAN TOURISTS.

17. (U) KHANH ADMITTED THAT "IT IS NOT ENOUGH" JUST TO

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INFO	LOG-00	AID-00	CEA-01	CIAE-00	CTME-00	DODE-00	ITCE-00
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	L-00	VCE-00	AC-01	NSAE-00	NSCE-00	OES-01	OMB-01
	OPIC-01	ACE-00	SP-00	SSO-00	SS-00	STR-00	TEST-00
	TRSE-00	USIE-00	EPAE-00	DRL-02	G-00	NFAT-00	SAS-00

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BRING TOURISTS TO THE ISLAND -- IT IS ALSO IMPORTANT TO  
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PROVIDE THEM WITH INTERESTING ACTIVITIES. HE EXPRESSED A WISH THAT DISTRICT AUTHORITIES WILL TAKE ADVANTAGE OF THE "NATURAL BEAUTY" OF THE ISLAND AND ORGANIZE ECO TOURS AS WELL AS TOURS AROUND THE SEA AND THE FORESTS. KHANH NOTED THAT THE PROVINCIAL PEOPLE'S COMMITTEE HAD SPECIFICALLY DIRECTED THE DISTRICT TO ENGAGE IN TOURISM THAT PROTECTS THE ENVIRONMENT.

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OPEN FOR BUSINESS - SORT OF  
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18. (U) KHANH ALSO EXPRESSED A HOPE THAT INCREASED TOURISM COULD FORM THE BASIS FOR MORE FOREIGN DIRECT INVESTMENT. HE ASKED THAT POLOFFS TAKE BACK TO THE US EMBASSY THE MESSAGE THAT PHU QUOC IS INTERESTED IN FOREIGN INVESTMENT, ESPECIALLY IN THE TOURISM AND INDUSTRY SECTORS. IN THE

TOURIST SECTOR, KHANH SUGGESTED A JOINT VENTURE WORLD-CLASS RESORT MIGHT BE FEASIBLE. IN THE INDUSTRIAL SECTOR, KHANH SPECIFICALLY POINTED TOWARD SEAFOOD PROCESSING AS AN AREA WITH "GREAT POTENTIAL." KHANH ADMITTED THAT, AS FAR AS HE KNOWS, THERE IS NO US FOREIGN DIRECT INVESTMENT AT THIS TIME. HOWEVER, PHU QUOC AUTHORITIES "WOULD VERY MUCH WELCOME US INVESTMENT," HE DECLARED.

19. (U) DESPITE KHANH'S APPARENT INTEREST IN ATTRACTING FOREIGN INVESTMENT, PHU QUOC HAS NOT YET ESTABLISHED AN INVESTMENT PROMOTION OFFICE, HE ADMITTED. KHANH EXPRESSED A HOPE THAT THE PROVINCIAL AUTHORITIES WOULD ESTABLISH SUCH AN OFFICE SOON, BUT HE WAS UNABLE TO PREDICT WHEN. INSTEAD, THE THREE STAR HOTEL, FOR A FEE OF USD 50, PROMISES TO

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ORGANIZE BUSINESS MEETINGS AND PROVIDE INFORMATION ON INVESTMENT OPPORTUNITIES. KHANH SAID HE WAS AWARE OF THIS SERVICE, WHICH HE CHARACTERIZED AS THE HOTEL'S INITIATIVE AND NOT INVOLVING DISTRICT AUTHORITIES.

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COMMENT  
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110. (U) PHU QUOC ARGUABLY HAS THE NATURAL BEAUTY AND TROPICAL CLIMATE TO COMPETE FOR INTERNATIONAL TOURISTS WITH THAILAND'S PHUKET OR INDONESIA'S BALI. HOWEVER, WITHOUT SIGNIFICANT COMMITMENT OF RESOURCES DEVOTED TO INFRASTRUCTURE DEVELOPMENT, AND EVEN MORE FAVORABLE INVESTMENT CONDITIONS THAN NOW EXIST, PHU QUOC'S TOURISM BOOM IS APT TO REMAIN LIMITED, AND ITS ECONOMIC PROSPECTS MODEST.  
BURGHARDT

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